USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Required Report - public distribution

Date: 7/11/2007

GAIN Report Number: CH7057

China, Peoples Republic of

Solid Wood Products

Chinese Wood Usage Continues Rapid Growth

2007

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Report Highlights: As China's domestic consumption and export industries continue to grow strongly, Chinese demand for wood is forecast to maintain its recent robust growth. Supply limitations on Asian tropical hardwoods and a new export tariff on Russian logs are expected to dampen Chinese imports over the next several years. However, increased production from Chinese plantations and growing imports of lumber products will make up for the slower growth in log imports. In the near term, Chinese domestic demand will grow in importance relative to the export market.

Includes PSD Changes: No
Includes Trade Matrix: No
Annual Report
Beijing [CH1]
[CH]

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Executive Summary

China's wood imports are forecast to continue increasing due to China's ongoing economic expansion and growing wood product exports. China's softwood log imports in 2008 are forecast to hold steady at 21 million cubic meters, assuming the Russian government implements its new export tariff as planned. Hardwood log imports are forecast to increase by 10 percent in 2008. China's total lumber imports in 2008 are forecast to increase 15 percent. Softwood lumber will increase 20 percent due to China's booming construction sector and Russian's export tax on logs. Temperate lumber will see a 10 percent increase and tropical lumber imports will decrease two percent because of price increases and lack of Southeast Asian resources. China's log and lumber production in 2008 are expected to increase 16 and 20 percent respectively due China's plantation policy that favors fast-growing varieties. U.S. wood product imports will continue to grow due to demand in the interior decoration and furniture industries.

Forest Situation & Outlook

Forest Resources Increase But Still Far Below Demand

Post estimates China's forested area was 184 million hectares (HA) as of December 2006. According to China's Sixth Forest Inventory Report (covering 1999-2003) and 2006 Forestry Statistics yearbook by the State Forestry Administration, China planted 2.7 million hectares of forests in 2006. Total forest coverage is estimated at 19 percent. For more information on the latest inventory report, please refer to GAIN Report CH6052.

Forest Type	Area (1,000 HA)	Percentage
Shelterbelt forest	1,825	67%
Timber forest	482	18%
Economical forest	403	15%
Fuel forest	5	
Special purpose forest	4	
Total	2,719	

Source: 2006 Forestry Statistics by State Forestry Administration, published 05/31/07

Despite growth in all types of forests, China still faces a severe lack of forest resources. The per capita forest area is only one fifth of the world average (0.128 Hectares). Moreover, economic development, rising living standards, and export expansion continue to raise wood consumption. As a result, wood demand continues to greatly exceed supply, especially for large diameter logs, hardwood timber, and raw materials for high-grade furniture and decoration.

Items	Area (HA)	Percentage
Total "fast-growing" forest area	33,063	100%
Land categories		
- Plantation	13,726	42%
- Investors		
1. Foreign investment	7,383	
2. Farmers	2,711	
3. Local leading enterprises	1,414	
4. State-owned forest farm	951	
5. Other	1,263	
- Remake	19,337	58%
Cultivated purpose		

- Large diameter logs	12,656	38%
- Plywood raw material	9,967	30%
- Pulp raw material	5,873	18%
- Other industry raw material	4,567	14%
Type of tree		
- Soft wood		
- Larch	7,623	23%
- Fir and cryptomeria	3,853	12%
- Korean pine, spruce, silver fir and Mongolian scotch pine	3,032	9%
- Pine (south China)	1,442	4%
- Temperate Hardwood		
- Poplar and paulownia	7,057	21%
- Ash, juglans mandshurica maxim, Yellow pineapple, linden	3,476	11%
- Bamboo	4,507	14%
- Other	2,073	6%

Source: 2006 Forestry Statistics by the State Forestry Administration

Illustrating China's decision to shift more forest utilization to plantation resources, China initiated a natural forest protection program and a "fast-growing" plantation project. In 2006, the fast-growing plantation area was 33,000 hectares, an increase of 98 percent over 2005. Details of plantation forests are listed in the following table:

	Unit	2010	2015	2020
Fast-growing plantation	Million HA	4.7	9.2	13.3
Timber supply per year	Million M3	49.0	96.7	133.4
Supply for pulp production	Million Ton	6.2	11.9	13.9
Supply for wood-based panel production	Million M3	6.4	13.1	21.5
Provide large size logs	Million M3	3.4	7.3	15.8

Source: Research Institute of Wood Industry, Chinese Academy of Forestry

Logging Quota Raised by 11 Percent During the 11th Five Year Plan

China increased its logging quota to 248 million cubic meters (CUM) (not including the bamboo logging quota) in the 11th Five Year Plan (2006-2010). This represents an 11 percent increase over China's previous Five Year Plan (223 million cubic meters). The 25 million cubic meter increase comes mainly from the quota for short-term industrial raw material forests planted in recent years. According to the new logging policy, any unused quota for plantation forest timber can be carried over to the following year.

Under the new quota, plantations account for 63 percent of China's total logging quota. This confirms that plantation timber has replaced natural forests as the major domestic wood source in China. Under the old quota, plantation timber accounted for only 38 percent of the total logging quota. The major plantation provinces are in southern China, including Guangxi, Guangdong, Hunan, Fujian and Sichuan. These provinces account for about 40 percent of China's total plantation area.

	Old (2001-2005) Logging Quota (1,000 M3)	New (2006-2010) Logging Quota (1,000 M3)	Change (Percentage)
Logging type			
- Harvest cutting	84,518	117,437	39%
- Intermediate Cutting	60,532	56,241	-7%
- Other Cutting	78,052	74,477	-5%
Consumption structure			
- Commercial timber	115,902	157,697	36%
- Non commercial timber	107,200	90,458	-16%
Forest type			
- Natural forest	137,033	91,214	-33%
- Plantation	86,069	156,941	82%
Plantation, industry raw material forest		54,229	

Source: 11th Five-Year Plan (2006-2010)

For additional information on the Chinese logging quota, please refer to GAIN CH6052.

Production

Forest Industry Total Output Maintains Double Digit Growth

Post forecasts that log production will increase by fifteen percent in 2008, maintaining current growth levels. Post forecasts lumber production growth of twenty percent in 2008 because the construction, furniture, flooring and secondary manufacturing sectors remain strong.

China has the highest output of wood based panels in the world. Post forecasts production to increase by fifteen percent. Chinese companies continue to invest in modern machinery to maximize wood yield. However, small panel companies face price pressure as log prices outpace panel prices.

Large foreign and local companies attach great importance to wood supply and eco-environmental management. Large papermaking companies, such as UPM, StoraEnso, Sinar Mas Group, Japan Oji Paper Group and RGM International, have invested in plantations and processing facilities in recent years based on the growing importance of plantation timber.

Wood Consumption Hits New High

Wood product demand side factors continue to increase: 1) GDP increasing 10% annually; 2) population growing 11-12 million per year; 3) increasing purchasing capacity; 4) rapid urbanization as 17.6 million people move from the country to towns each year; 5) real estate becomes one of three economic pillars as annual growth rate of investment and construction reaches 20 percent; 6) robust exports ; 7) increased domestic investment; and 8) growing global economy.

	Unit	2005	2006	2007
Real estate project				
- Residence	Billion USD	143	179	224
- Office building	Billion USD	10	12	14
- Commercial using	Billion USD	27	31	35
- Other	Billion USD	30	33	35

Floor space and value				
- Project area	Million M2	1,660	1,940	2,240
- Newly opened area	Million M2	680	780	900
- Completed area	Million M2	530	530	510
- Completed value	Billion USD	102	109	113

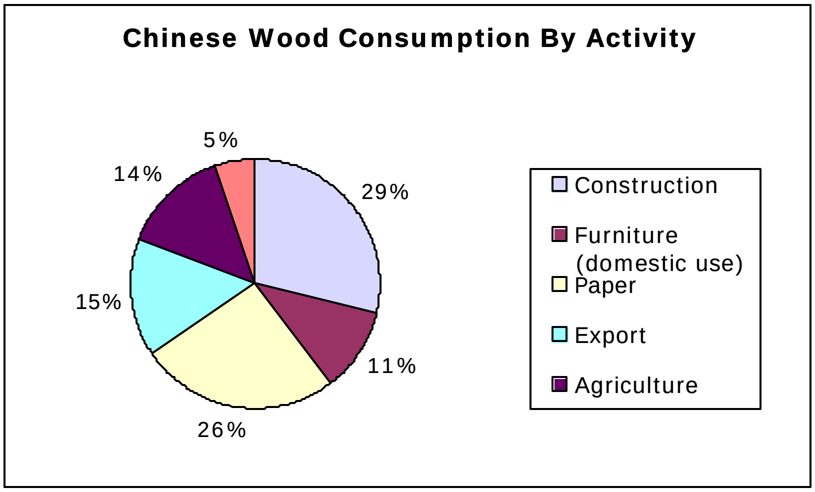
Source: 2007 China Statistical Abstract

In 2006, the total floor space under construction (including real estate) was four billion square meters. Construction consumed 29 percent of the total wood consumption. The up coming 2008 Beijing Olympics, 2010 Shanghai World Expo and 2010 Guangzhou Asia Games have spurred construction in these cities.

China's Wood Product Output in 2006:

Product (Main Provinces)	Unit	2005 Output	2006 Output	Change (06/05)
Timber (Fujian, Guangxi, Hunan)	Million M3	55.60	66.12	18.91%
* Of tropical timber	Million M3	1.52	3.76	147.37%
- Logs	Million M3	50.23	61.12	21.68%
* Of soft logs	Million M3	20.73	24.80	19.63%
- Using directly logs	Million M3	16.28	21.86	34.28%
- Special-class logs	Million M3	0.83	0.80	-3.61%
- Grade processing logs	Million M3	13.81	15.88	14.99%
* Of soft logs	Million M3	7.72	8.90	15.28%
- Logs for pulp	Million M3	2.23	2.60	16.59%
- Logs for plywood	Million M3	3.31	3.83	15.71%
- Fir tree stem	Million M3	5.15	6.13	19.03%
- Other	Million M3	8.61	10.03	16.49%
- Fuel wood	Million M3	5.37	5.00	-6.89%
Lumber (Zhejiang, Inner Mongolia, Hunan)	Million M3	17.90	24.86	38.88%
*Of tropical lumber	Million M3	0.57	0.65	14.04%
Wood chips	Million M3	12.18	8.41	-30.95%
* Of tropical chips	Million M3	1.36	1.70	25.00%
Wood-based Panels (Jiangsu, Shandong,Hebei)	Million M3	63.39	74.29	17.20%
- Plywood	Million M3	25.15	27.29	8.51%
* Of hardwood plywood	Million M3	8.47	11.53	36.13%
- Fiberboard	Million M3	20.60	24.67	19.76%
* Of Middle Density Fiberboard	Million M3	18.54	22.22	19.85%
- Particleboard	Million M3	5.79	8.43	45.60%
- Other	Million M3	12.41	13.90	12.01%
* Of block board	Million M3	9.82	11.55	17.62%
Wood flooring (Zhejiang, Shanghai, Liaoning)	Million M2	308.00	330.00	7.14%
- Laminated flooring	Million M2	190.00	200.00	5.26%
- Solid wood flooring	Million M2	50.00	45.00	-10.00%
- Engineered flooring	Million M2	46.00	60.00	30.43%
- Engineered bamboo flooring	Million M2	22.00	25.00	13.64%
Surface decoration of wood based panel	Million M3	270.14	296.70	9.83%
Furniture (Guangdong, Zhejiang, Shandong)	Billion USD	44.73	57.10	27.65%

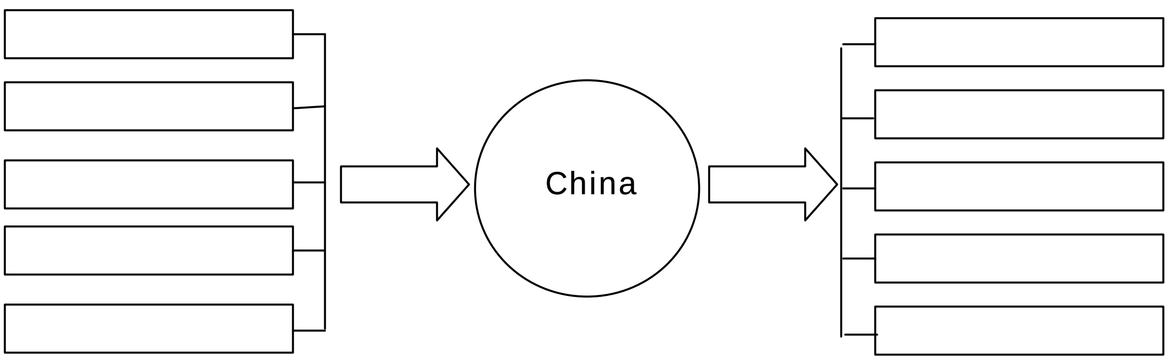
Source: 2006 Forestry Statistics by State Forestry Administration – 05/31/07



Source: 2006 China Forestry Development Report by State Forestry Administration

Trade

Overall, the wood product trade is on a solid good track for steady growth in 2006-2008. However, the increasing tariffs on Russian logs, limited Southeast Asian log supply and higher transportation costs are challenges to Chinese producers. However, export prices have also increased for many goods.

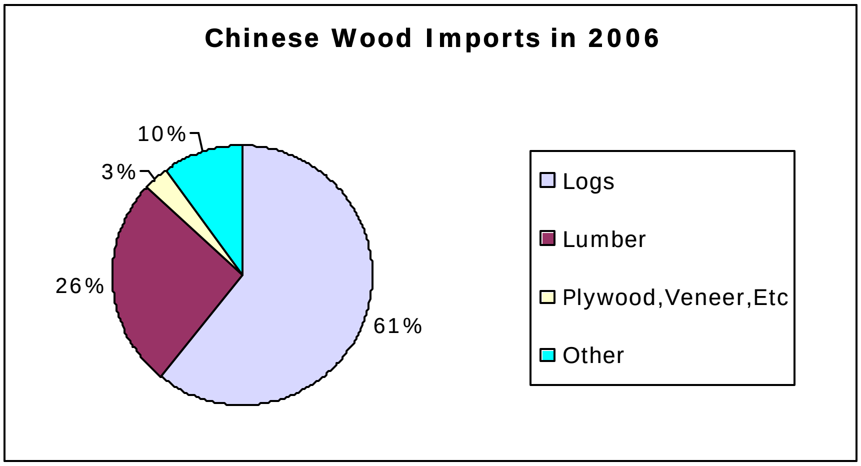


Source: World Trade Atlas

Imports

Raw Material Imports Represent 87% of Total

China imports of wood and wood products totaled US$ 6.46 billion in 2006, 87 percent of which were unfinished goods, such as logs (61 percent) and lumber (26 percent).

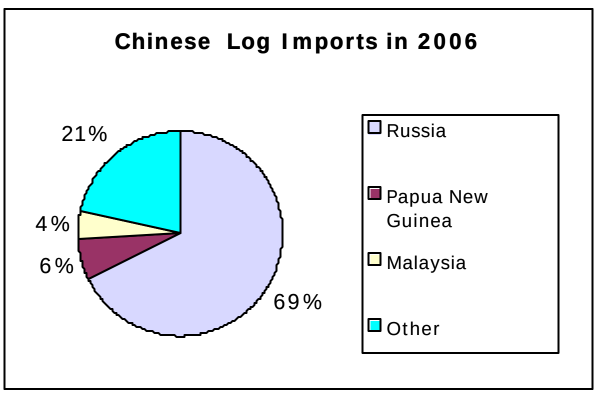


Source: World Trade Atlas

Log Imports from Russia Grow at Slower Rate

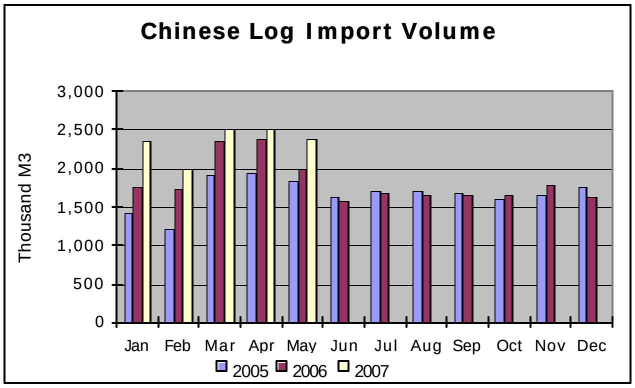
Post forecasts log imports will hold steady at 21 million cubic meters in 2007 and 2008 if the Russian government implements its new export tariff as planned. If the tariff increases to 25 percent or 50 percent, there could be significant changes in industries that currently rely on Russian logs. See the policy section for additional information on the Russia log export tariff.

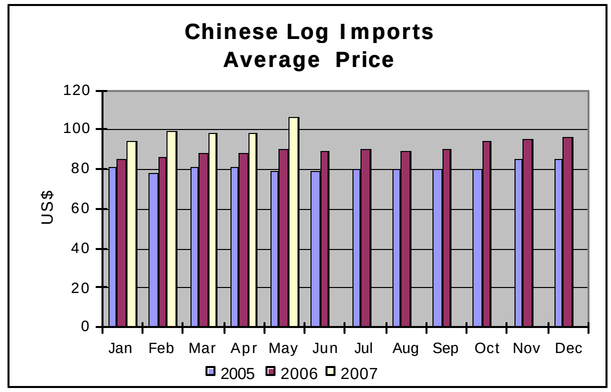
Logs make up the majority of the volume of Russian exports, approximately 69 percent.



Source: World Trade Atlas

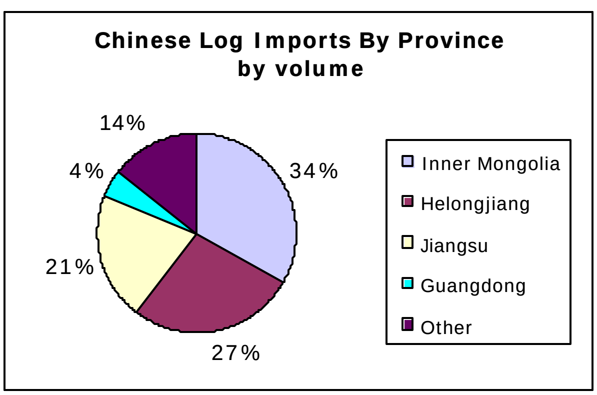
March to May is the peak season for log imports. Additionally, given the expectation of the rise in Russian export tariffs, Chinese companies are rushing to buy logs by July 1, 2007. As a result, the log import growth rate in the first half of 2007 is very high.

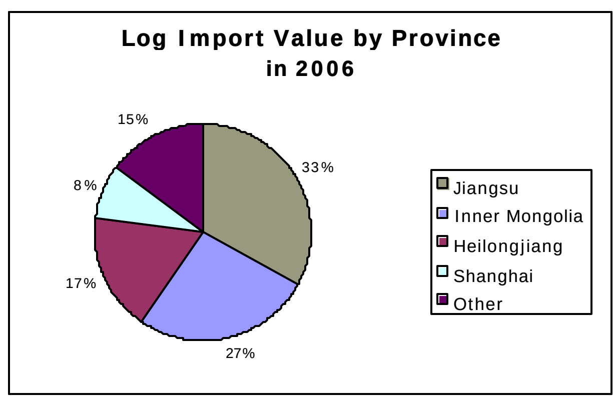




Until recently, the trade between China and Russia was complementary in nature. Russia is endowed with abundant forest resources, comprising one-fifth of the world's forested area and one quarter of the world's timber stock. The percentage of mature and overly mature forests is estimated at 70 percent in the Russian Far East. The volume of logging is still well below the official total allowable cut. China borders Russia and it has convenient transportation routes. With strong economic growth, China is an ideal wood market for Russia. However, Russian authorities have long complained that domestic companies should process the wood in Russia prior to export in order to generate jobs. To force a change in the status quo, a new export tax policy has been adopted by the Russian Government.

Chinese companies import significant amounts of logs at the border crossings of Suifenhe, Manzhouli, Erenhot in north China and by sea transportation. Almost 70 percent of the sea shipments are destined for Jiangsu Province, mainly Taicang port. Other ports that receive significant volumes of Russian logs are Lanshan in Shandong Province and certain ports in Zhejiang Province. These locations have growing wood industrial zones, which have advantages in resources, transportation, government polices and low cost labors. However, wood is processed in the Yangtze River Delta (Jiangsu, Shanghai and Zhejiang Province) and Zhujiang Delta (Guangdong Province).





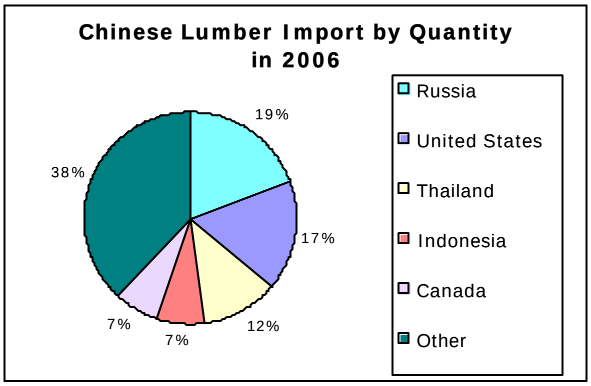
Source: World Trade Atlas

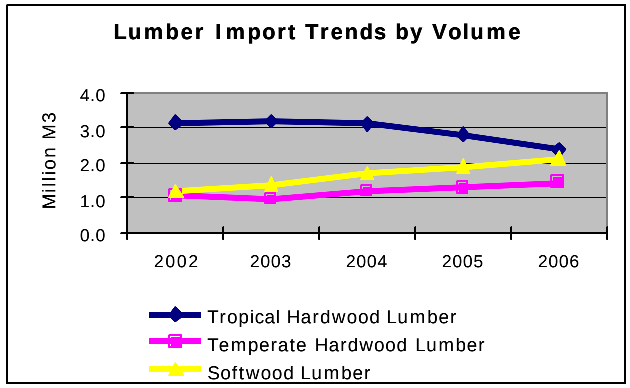
Regarding the border trade, Suifenhe is the most important strategic post, which is in north China's Heilongjiang Province. Chinese companies invested in processing logs to lumber, drying the lumber, and then transporting it to other cities. They earned money by saving space and weight by processing and drying the wood before shipping it to end users in other parts of China.

Sea transport of wood product imports also grew in 2006. The total log import value was $3.92 billion in 2006, with 53 percent arriving by sea transport. As the import price from Russia is going up, Radiata Pine from New Zealand and yellow fir and hemlock from North America will gain market share in the future.

Lumber Imports See Strong Increase

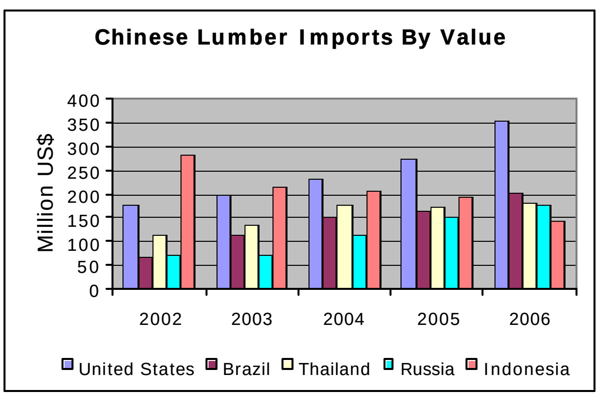
Post forecasts lumber imports will increase 15 percent in 2008. While softwood lumber will increase due to China's booming construction and Russia's export tax on logs, tropical hardwood lumber imports will decrease because of price increases and lack of Southeast Asian resources. By contrast, China will also import more tropical hardwood lumber from Africa and South America.

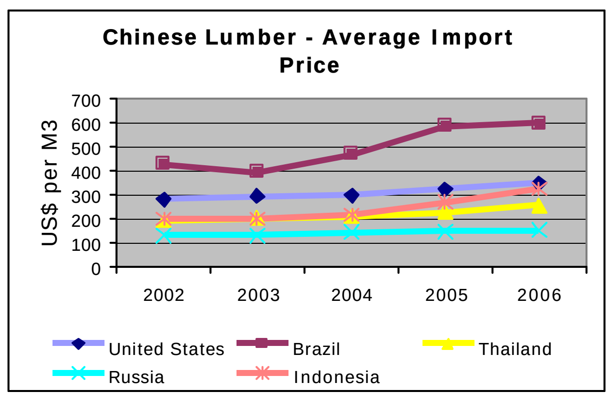




Source: World Trade Atlas

China imported lumber valued at US$ 1.7 billion in 2006. Though Russian imports account for 19 percent of the volume of lumber imports, U.S. imports account for the largest value, US$ 353 million.



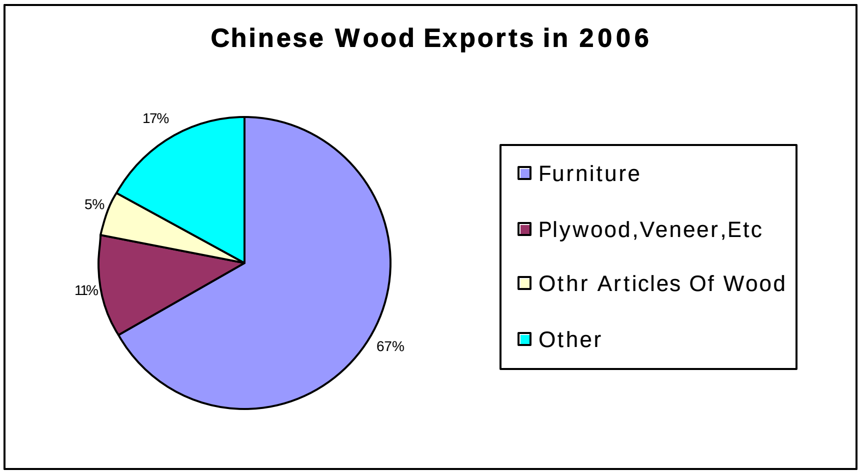


Source: World Trade Atlas

Exports

Wood Product Exports Increase Rapidly Due to Competitive Price

Chinese exports of wood and wood products totaled US$ 14.5 billion in 2006 (led by furniture, plywood, flooring, and doors). Chinese products are very competitively priced due to low labor costs.



Source: World Trade Atlas

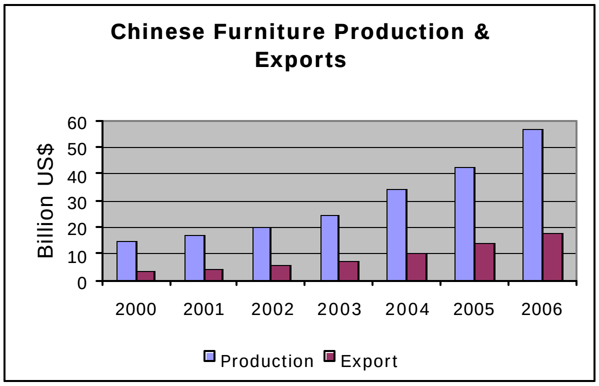
Furniture Industry Develops Rapidly

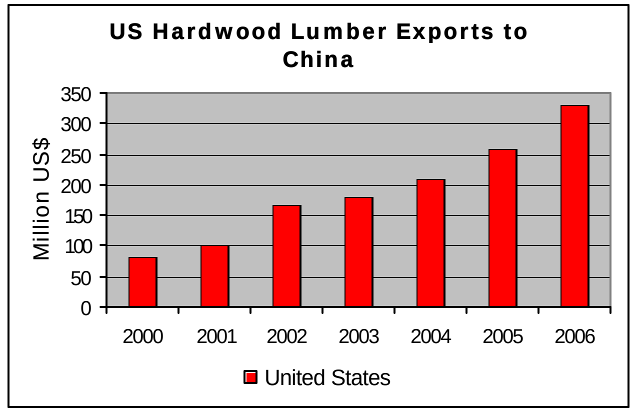
Post forecasts furniture exports will increase 20 percent in 2007 and 15 percent in 2008. Many industry observers suggest that Chinese furniture manufacturing may be slowly moving from mass production of inexpensive furniture to higher value and higher quality market niches. One of the drivers of this is the government policy that is encouraging investment by larger firms, increasing the regulatory burden faced by small operators, increasing energy prices, and increasing environmental enforcement.

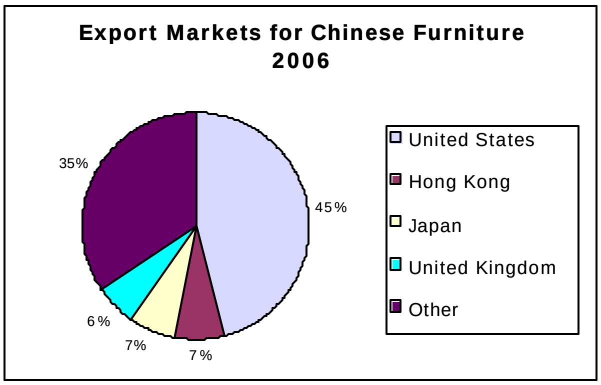
China has become the largest furniture producer and exporter in the world. China has a complete and full-range of furniture products: home furniture, office furniture and institutional furniture (e.g. hotel furniture, school furniture). Among home furniture, upholstered furniture and kitchen furniture are developing quickly. The most advanced areas in terms of preproduction and distribution are in Guangdong, Zhejiang, Shandong, Hebei and Sichuan provinces. Though domestic markets are expanding, exports have also increased rapidly.

Labor still accounts for only about five percent of the product price for most furniture, which maintains China's cost competitiveness. For example, a similar style and quality dinner chair costs 300-400 US$ in Europe, but only 30-40 US$ in China. This price competitiveness also puts downward pressure on prices in export markets, reportedly pushing U.S. prices down as much as 20-40 percent in some categories. However, the table below shows that domestic consumption is playing a bigger role in current growth than exports.

Most solid wood furniture in China is made from hardwood logs and lumber. American red oak, white oak, hard cherry, walnut and maple are among the most popular imported woods. Though imports are already the largest source of inputs for the furniture industry, this dependence will continue to grow.







Sources: Shanghai Furniture Research Institute and World Trade Atlas

Flooring and Secondary Manufactures Maintain Growth but Face Challenges

Post forecasts flooring and secondary manufactures exports will increase 20 percent in 2008, though this will be lower than 2007. 2006 experienced rapidly growing exports including engineered flooring (9.3 million square meters - up 36.9%), plywood (8.3 million cum - up 49.8%), fiberboard (1.46 million tons - up 51.3%), and doors (494 million dollars - up 41.4%).

Domestic challenges are: 1) lack of forest resources; 2) government policy removes incentives for high pollution, high energy consuming, and resources-intensive industries by decreasing or eliminating VAT rebate; 3) many small operators operate on low margins, low technology investment, and low quality; 4) lack of marketing channels; and 5) rising transportation costs.

The international challenges are: 1) raw material costs increase as Russia increases export tariff on logs; 2) timber producing and exporting countries have more pressure from environmental protection issues; 3) many countries use anti-dumping measures to limit China's exports; and 4) Chinese currency continues to appreciate.

Policy

Russia Raising Log Export Tariff

To limit logs exports, encourage wood processing and curb illegal logging, the Russian Government has proposed tariff changes to promote exports of value-added forestry products at the expense of log exports. As part of the government's goal to gradually increase the export tariffs on logs, on February 5, 2007, the Russian government published Resolution #75 (to enter into force on July 1, 2007), increasing the export tariff on coniferous logs to 20 percent, but not less than 10 euros for one cubic meter. On April 1, 2008, the tariff will increase to 25 percent, but not less than 15 euros. Finally, as of January 1, 2009, the tariff will raise to 80 percent, but not less than 50 euros. For more information on the latest Russian policy changes, please refer to GAIN Report RS7016.

In 2006, Russian exports of logs from the Russian Far East were about 17 million M3 (approximately $1.4 billion dollars) and over 95 percent unfinished goods. Logs constitute the majority of exports. The initial change in tariff may not significantly change trade patterns due to the investment on the Chinese side and Russian logs will remain the most inexpensive raw material. However, experts think that if the tariff were raised by over 40 percent, significant changes will take place because the logs will become too expensive to process in China. Therefore, Russian processing of logs would likely go from very small to one of the largest lumber production bases within the span of a few years.

Given labor and investment constraints in the Russian Far East, it is unclear how fast and how dramatic this change would be. Some argue that despite the 80 percent export tariff, Russia would take years to build the lumber production capacity and significant log exports would continue to take place. Moreover, they state that current Russian investment and immigration policies would stymie Russian efforts to completely supplant Chinese production of lumber and semi-finished wood products in areas near the Russian border or major wood processing enterprise zones. As a result, they argue, Russia will fully or partly reverse the very high export tariff rate. Conversely, other industry representatives think that Russia is open enough to Chinese investment and Chinese workers to make this industry grow. With Chinese capital and labor and investment from large Russian timber companies from more prosperous western Russia, this policy change can achieve its goal.

Change in VAT Export Rebate for Solid Wood Products

To further control the growth in exports, reduce trade conflicts, discourage heavily polluting and energy intensive industries, the Ministry of Finance, the State Administration of Taxation, the National Development and Reform Commission, the Ministry of Commerce and the China Customs issued a notice "To Reduce the VAT Export Rebate for a Number of Commodities". The policy took effect on July 1, 2007, involving 2,831 commodities by 37% of total. It included: eliminating 553 high energy consumption, high pollution and resource intensive industries' VAT rebate; reducing 2,268 trade sensitive commodity VAT rebates; and change 10 commodity export rebate to export exemption.

Tariff Codes:

From 4411-4415, the products are: 1) plywood, veneered panels and similar laminated wood; 2) wooden frames for paintings, photographs, mirrors or similar objects; and 3) packing cases, boxes, crates, drums and similar packing; cable drums; pallets, box pallets and other load boards; pallet collars. The VAT export rebate was eliminated for endangered species from 11 percent and reduced for else products from 11 percent to 5 percent.

For 4418, VAT export rebate for flooring was entirely eliminated. For cellular wood panels and shingles and shakes, the rebate was reduced from 11 percent to 5 percent.

From 4419-4420, the products are: 1) tableware and kitchenware; and 2) wood carpentry and inlaid wood; caskets and cases for jewelry or cutlery, and similar articles; statuettes and other ornaments; wooden articles or furniture not falling in Chapter 94. They have the similar situation as 4411-4415.

For 4421, other articles, 1) clothes hangers, spools, cops, bobbins, sewing thread reels and like are the same as above; 2) one-time wood has no rebate.

For 9401-9402, the products are: 1) seats (other than those of heading No. 9402), whether or not convertible into beds, and parts thereof; and 2) medical, surgical, dental or veterinary furniture (for example, operating tables, examination tables, hospital beds with mechanical fittings, dentists' chairs); barbers' chairs and similar chairs, having rotating as well as both reclining and elevating movements; and parts of the foregoing articles. The rebate was reduced from 13 percent to 11 percent.

For 9403, other furniture and parts, the rebate was eliminated for endangered species from 11 percent and reduced for other products from 11 percent to 9 percent.

Due to the recent publication of this report, a follow up GAIN report will be released that shows the VAT rebate changes for all wood products.

Other Policies

On July 31, 2006, the General Administration of Quality Supervision, Inspection, and Quarantine (AQSIQ) released the revised methyl bromide (MB) fumigation requirements for entry/exit wood packing material. GAIN report CH6058 is an UNOFFICIAL translation provided for the benefit of U.S. exporters by the USDA FAS Agricultural Affairs Office in Beijing.

On May 29, 2006, the Chinese central government released a new housing policy. The new policy aims to curb speculative and investment-oriented housing demand and cater to the needs of middle - and low-income groups. The policy went into effect on June 1, 2006. See GAIN report CH6052.

On December 31, 2005, China's General Administration of Quality Supervision, Inspection, and Quarantine (AQSIQ) released the administrative measures for imported wood packaging materials. These measures entered into force January 1, 2006. GAIN report CH6051 is an UNOFFICIAL translation provided for the benefit of U.S. exporters by USDA/FAS's Office of Agricultural Affairs in Beijing.

On November 29, 2005, China's General Office of the State Council released its Document No. 58 of 2005, -" Accelerating the Conservation and Substitution of Wood Resources". GAIN report CH6050 is an UNOFFICIAL translation provided for the benefit of U.S. exporters by USDA/FAS' Office of Agricultural Affairs in Beijing.

This report contains the tariffs China charges on imports of wood and articles of wood as found in Section IX, Chapter 44 of China's 2006 import tariff schedule. These tariffs are subject to change Dec 31, 2006. See GAIN report CH6040. This report should be read together with CH6034.

Marketing

General Market Status

Marketing Channels

China's wood processing industry is still a mixture of enterprises, ranging from large players with an annual yield of more than 30,000-40,000m^3 from single production lines, to small-scale enterprises and even handicraft workshops, the latter still represent the majority of the industry. Foreign and private capital plays a role in various sectors of the wood products industry, as well as in equipment manufacturing and raw material plantations. Private enterprises are also becoming a more important component of the industry. Currently there are over 200,000 wood processing enterprises in China, of which private enterprises account for over 80 percent of the total, and even 90 percent in some provinces where the wood industry is more developed. However, technical levels of these private wood processors vary considerably. For example, of the 13 current fiberboard production lines with an annual capacity of 200,000m^3, 11 lines are owned by private enterprises. On the other hand, a large number of small-scale processors are still struggling with poor competitiveness due to a low level of technical expertise, inconsistent product quality and a lack of innovative designs.

Geographically, the majority of wood products processors are located in eastern and southeastern China. The Yangtze and Pearl River Deltas, which are very close to massive consumer markets, have developed into mature wood industry clusters (Zhejiang, Jiangsu, Fujian provinces and Shanghai) and enjoy advantages in quality control and management, and the Pearl River Delta enjoys brand strengths in furniture production. Centered near Beijing, areas in north and northeast China are advantageous in infrastructure and wood resources. Areas including the Suifenhe-Muling-Hailin industrial zone in Heilongjiang province and Manzhouli and Erenhot in Inner Mongolia Province have also emerged as very robust wood processing zones in China. All these wood industry clusters enjoy advantages in resources, talent, transportation, government policy and low labor costs.

Distribution channels

According to the China Timber Distribution, around 70 percent of wood logs and lumber, whether imported or produced locally, are distributed through wood wholesale markets. About 30 percent of the wood is mainly for paper or large construction projects and is directly distributed by wood manufacturers and importers. Various size processors and decoration companies purchase from the wholesale market. Finished consumer wood products are mainly distributed through professional markets, building materials markets, specialized showrooms, or e-business to the urban consumers or exported to overseas markets. In big cities, most wood products are sold in construction material superstores such as B&Q and Orient Home, while in rural areas consumers either acquire the wood logs and lumber from wholesale markets or directly from the local forestry farms.

Market Segment Analysis

<u>Wood-based Panels</u>

China's production of wood-based panels, including Medium Density Fiberboard (MDF), plywood, and particleboard are changing dramatically. Plywood is China's largest wood panel sector, representing almost 40 percent of total wood-based panel production. Low production costs and fierce price-competitiveness have translated into significant competitive advantages in both domestic and export markets. With rising quality and rapid market/product diversification, Chinese plywood is a dominant global force; China is a large plywood manufacturer and exporter and soon expected to be the largest consumer of plywood in the world.

However, compared with developed countries, China's wood-based panel industry is still relatively small in scale, with an overall lower production capacity and lower quality of products. The major quality problem is formaldehyde emissions. In addition, wood-based panels made in China also need to meet the challenges of meeting higher standards for shape and dimension - resisting twist, warp, distortion, glue exposure, bubble and in-panel impurities etc.

Flooring

Currently there are more than 3,000 enterprises engaging in wood floor manufacturing in China. China is a major wood floor manufacturer and exporter in the world, with engineered flooring and laminated flooring exports both exceeding 20 million m^2 in 2006. It is estimated that China's flooring industry is still in its "golden period" in the next five years. As Chinese construction and remodeling sectors boom, domestic demand is becoming a more important factor. This market is distinct from many export markets because of different demands in terms of species, color, and type of wood flooring.

Furniture

China has become the largest furniture manufacturer and exporter in the world. Some U.S. and Japanese furniture purchasing groups frequently travel to northeast China and thousands of independent European retailers import from China. IKEA, the global furniture giant, has transferred its sourcing center from Singapore to China, and established five purchasing centers in Harbin, Qingdao, Guangzhou, Yunnan and Shanghai.

Doors

The wooden door industry in China has grown significantly during the last 10 years, due in large part to the newly adopted belief among Chinese consumers that a good wood door is the "face" of a well-decorated home or apartment. In addition to the rapidly growing demand for wood doors in the residence interior segment, institutional construction projects, especially hotels and restaurants, also invite bidding for door manufacturing as a separate construction item, to secure a consistent quality for their doors.

Currently five wood door industry clusters have formed in China in the Pearl River Delta, Yangtze River Delta, Bohai Bay near Beijing, northeast and southwest China. Nationally-famous brands, e.g., Hongta from Yunnan province, Mengtian from Zhejiang province, Jinxiujia from Heilongjiang province, Boliang and TATA from Beijing have promoted the industrialization and standardization of wood door manufacturing in China. The Chinese government will issue the 1st quality standard for wooden doors, which is forecast to become effective on Aug 1, 2007, and will regulate the raw materials usage, size, formaldehyde content, etc. and hence will further improve the development of the wood door manufacturing industry.

Market trend and U.S. exporter opportunities

Reduced supplies of tropical hardwoods and increased prices for Russian logs will buoy demand for U.S. wood. U.S. woods have a very a promising prospect in the China market due to the increase of wood products export to the United States and the growing demand in the domestic market for better-quality decorative materials,.

With the growing interest in colored hardwood products among Chinese consumers, U.S. boxwood exports to China are also expected to grow. Meanwhile, the relatively lower price of cherry and maple products will generate higher demand in the China market, while the higher price of walnut might hinder their exports to the China market.

High value-added construction materials, for example Oriented Strand Board (OSB), Laminated Veneer Lumber (LVL) and softwood plywood, and treated softwood products are popular with Chinese processors, and market intelligence shows that the demand for wood chips in China is also growing.

Map of China
Highlighted with Specific Ports That Serve As Significant Import or Processing Centers

Statistical Tables

Table 1. Softwood Logs PS&D Table

Country	China, Peoples Republic of					
Commodity	Softwood Logs				1000 CUBIC METERS	
	2006	Revised	2007	Estimate	2008	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		01/2006		01/2007		01/2008
Production	21700	24800	24500	29700	0	35700
Imports	17600	19700	20600	21000	0	21000
TOTAL SUPPLY	39300	44500	45100	50700	0	56700
Exports	0	0	0	0	0	0
Domestic Consumption	39300	44500	45100	50700	0	56700
TOTAL DISTRIBUTION	39300	44500	45100	50700	0	56700

Table 2. Temperate Hardwood Logs PS&D Table

Country	China, Peoples Republic of					
Commodity	Temperate Hardwood Logs				1000 CUBIC METERS	
	2006	Revised	2007	Estimate	2008	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		01/2006		01/2007		01/2008
Production	27230	40580	32200	46000	0	51300
Imports	3640	3638	4370	4000	0	4400
TOTAL SUPPLY	30870	44218	36570	50000	0	55700
Exports	5	3	5	3	0	3
Domestic Consumption	30865	44215	36565	49997	0	55697
TOTAL DISTRIBUTION	30870	44218	36570	50000	0	55700

Table 3. Tropical Hardwood Logs PS&D Table

Country	China, Peoples Republic of					
Commodity	Tropical Hardwood Logs				1000 CUBIC METERS	
	2006	Revised	2007	Estimate	2008	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		01/2006		01/2007		01/2008
Production	3025	738	1300	800	0	820
Imports	7700	8798	6700	9680	0	10600
TOTAL SUPPLY	10725	9536	8000	10480	0	11420
Exports	0	0	0	0	0	0
Domestic Consumption	10725	9536	8000	10480	0	11420
TOTAL DISTRIBUTION	10725	9536	8000	10480	0	11420

Table 4. Softwood Lumber PS&D Table

Country	China, Peoples Republic of					
Commodity	Softwood Lumber				1000 CUBIC METERS	
	2006	Revised	2007	Estimate	2008	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		01/2006		01/2007		01/2008
Production	9250	10320	6580	12000	0	14000
Imports	2060	2109	2580	2600	0	3060
TOTAL SUPPLY	11310	12429	9160	14600	0	17060
Exports	180	380	340	450	0	550
Domestic Consumption	11130	12049	8820	14150	0	16510
TOTAL DISTRIBUTION	11310	12429	9160	14600	0	17060

Table 5. Temperate Hardwood Lumber PS&D Table

Country	**China, Peoples Republic of**					
Commodity	**Temperate Hardwood Lumber**				1000 CUBIC METERS	
	2006	Revised	2007	Estimate	2008	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		01/2006		01/2007		01/2008
Production	11300	14000	16740	16800	0	20160
Imports	1690	1430	1850	1550	0	1700
TOTAL SUPPLY	12990	15430	18590	18350	0	21860
Exports	320	450	350	550	0	650
Domestic Consumption	12670	14980	18240	17800	0	21210
TOTAL DISTRIBUTION	12990	15430	18590	18350	0	21860

Table 6. Tropical Hardwood Lumber PS&D Table

Country	**China, Peoples Republic of**					
Commodity	**Tropical Hardwood Lumber**				1000 CUBIC METERS	
	2006	Revised	2007	Estimate	2008	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		01/2006		01/2007		01/2008
Production	1510	650	600	680	0	700
Imports	3520	2370	2100	2270	0	2230
TOTAL SUPPLY	5030	3020	2700	2950	0	2930
Exports	10	15	10	16	0	17
Domestic Consumption	5020	3005	2690	2934	0	2913
TOTAL DISTRIBUTION	5030	3020	2700	2950	0	2930